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AN OVERVIEW OF GREEN INSURANCE IN INDIA

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ABSTRACT

Once the yield data is received from the State/UT government as per the prescribed cut-off dates, claims will be worked out and settled by IA. The claim cheques along with claim particulars will be released to the individual Nodal Banks. All farmers who availed crop loans from commercial Banks, Regional Rural Banks and Cooperative Banks for growing wheat, paddy, millets, oilseeds and pulses were eligible for coverage under the scheme. CCIS remained under implementation till kharif 1999. Further, in case of Loanee farmers, the Insurance Charges shall be an additionally to the scale of finance for the purpose of obtaining loan. In matters of crop loan disbursement procedures, guidelines of RBI / NABARD shall be binding. Every year, large scale crop failure occur in one part of the country or the other due to various natural calamities such as flood, drought, cyclone etc. and damaging the crops in wide spread areas and making agriculture as the most risky business. Further, the latest techniques as yield assessment have to be used such as geographical information system using satellite. Use of latest technology such as GPRS – enabled and camera fitted Mobile phones may be used to implement Green Insurance Schemes more effectively.

KEYWORDS: *Implementation, Cyclone, Effectively*

INTRODUCTION

India is an agriculture based country, where more than 50% of population is depend on agriculture. This structures the main source of income. The commitment of agribusiness in the national income

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in India is all the more. Agriculture in India is a backbone of Indian Economy. Importance of agriculture in economic development is huge. The agriculture sector plays a vital role in the Indian Economy. Agriculture contributes about 16% of total GDP. India exports a large quantity of agricultural materials like fruits, vegetables, pulses, tea, spices etc. and the government is acquiring good revenue from it. Current status of agriculture in India today is very satisfactory. Today people are taking interest in the farming.

Every year, large scale crop failure occur in one part of the country or the other due to various natural calamities such as flood, drought, cyclone etc. and damaging the crops in wide spread areas and making agriculture as the most risky business. Though such farmers were given some support from the government under various schemes but the help is not enough. The subject of green insurance was discussed in Indian parliament as early as 1950 and Government assured that viable Green insurance scheme would be introduced.

GREEN INSURANCE IN INDIA

FIRST EVER – INDIVIDUAL APPROACH SCHEME (1972 -1979)

In 1972 – 73, the General Insurance Corporation of India introduced a crop insurance scheme on H-4 cotton and later included groundnut, wheat and potato. The scheme was implemented in Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu and West Bengal. It continued upto 1978 -79 and covered only 3,110 farmers for a premium of Rs.4.54lakhs against claims of Rs.37.88 lakh. The experiment was based on individual approach. A few other states also introduced similar schemes.

PILOT CROP INSURANCE SCHEME (PCIS) (1979 – 1985)

The scheme is based on homogenous area approach was put in place on the basis of the recommendation of the Dandekar committee report in 1979 -1980. General Insurance Corporation in collaboration with the state government introduced this 108 scheme in 26 areas of Gujarat, 23 areas in West Bengal and 17 areas in Tamil Nadu. Subsequently it was extended to other states. The scheme covered Cereals, Millets, Oilseeds, Cotton, Potato, Gram and Barley. It was confined to loanee farmers on voluntary basis. The scheme covered 6.27lakh farmers who paid premium worth Rs. 195.01 lakhs. The claims paid amounted to Rs. 155.68 lakhs with claim premium ratio of 0.80.

COMPREHENSIVE CROP INSURANCE SCHEME – (CCIS) (1985-1999)

Comprehensive crop insurance scheme was an extension of PCIS. It was made compulsory for loanee farmers and was implemented by GIC. The premium rates were 2 percent of the sum insured for cereals and millets and 1 percent for pulses and oilseeds. The participation in the scheme was voluntary and the states were free to opt for the scheme. All farmers who availed crop loans from commercial Banks, Regional Rural Banks and Cooperative Banks for growing wheat, paddy, millets, oilseeds and pulses were eligible for coverage under the scheme. CCIS remained under implementation till kharif 1999. The scheme was based on an area approach. The union government and the state government shared premium and claims in the ratio of 2:1. Small and marginal farmers received 50% premium subsidy. The limit of sum insured was pegged at Rs. 10,000/- per farmer per hectare.

EXPERIMENTAL CROP INSURANCE SCHEME (ECIS) (RABI 1997 -1998)

This scheme was introduced on an experimental basis to additionally cover non-loanee small and marginal farmers in 14 districts of five states. It entailed 100 percent premium subsidy for small and marginal farmers. The scheme covered 4.55 lakh farmers who paid Rs. 2.84 crore as premium and collected claims worth Rs. 37.80 crore. This resulted in a fairly high claim premium ratio of 13.31.

NATIONAL AGRICULUTRAL INSURANCE SCHEME

The Government of India in oc-ordination with General Insurance Corporation of India had introduced a scheme called the National Agricultural Insurance Scheme (NAIS) which commenced from Rabi season 1999 -2000. This scheme is also called "Rashtriya Krishi Bima Yojana". The objectives of the RKBY are:

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests and diseases.
- To encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology in agriculture.
- To help stabilize farm incomes, particularly in disaster years.

Salient Features of National Agricultural Insurance Scheme (NAIS)

The salient features of the NAIS have been listed out under various heads. They are as follows.

Crops Covered

The crops in the following broad groups in respect of which the past yield data based on Crop Cutting Experiments is available for adequate number of years and requisite number of CCE's are conducted for estimating the yield during the proposed season

- Food crops (Cereals, Millets & Pulses)
- Oilseeds
- Sugarcane, Cotton and Potato (Annual Commercial / Annual Horticultural Crops)

Other annual commercial / annual horticultural crops subject to availability of past yield data will be covered in a period of three years. However, the crops which will be covered next year will have to be spelt before the close of preceding year.

States and Areas Covered:

The Scheme extends to all States and Union Territories (UTs). The States / UTs opting for the Scheme would be required to take up all the crops identified for coverage in a given year.

Farmers Covered:

All farmers including share croppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage. The Scheme covers following groups of farmers:

a) **On a Compulsory Basis:** All farmers growing notified crops and availing Seasonal Agricultural Operations (SAO) loans / Kisan Credit Card (KCC) loans and agricultural jewel loans for the purpose of cultivation of the notified crop from Financial Institutions i.e. Loanee Farmers.

b) **On a Voluntary Basis:** All other farmers growing notified crops in the notified area (i.e., Non-Loanee farmers) that opt for the Scheme.

Risks Covered and Exclusions:

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Comprehensive risk insurance will be provided to cover yield losses due to non-preventable risks, viz.:

- Natural Fire and Lightning
- Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, etc.
- Flood, Inundation and Landslide
- Drought, Dry spells
- Pests/ Diseases, etc.

Losses arising out of war and nuclear risks, malicious damage and other preventable risks shall be excluded.

Sum Insured / Limit of Coverage:

The Sum Insured (SI) may extend to the value of the threshold yield of the insured crop at the option of the insured farmers. However, a farmer may also insure his crop beyond value of threshold yield level up to 150 per cent of average yield of notified area on payment of premium at commercial rates. In case of Loanee farmers the Sum Insured would be at least equal to the amount of crop loan advanced. Further, in case of Loanee farmers, the Insurance Charges shall be an additionally to the scale of finance for the purpose of obtaining loan. In matters of crop loan disbursement procedures, guidelines of RBI / NABARD shall be binding.

Premium Subsidy:

Around 50 per cent subsidy in premium is allowed in respect of Small and Marginal farmers to be shared equally by the Government of India and State / UT Government. The premium subsidy will be phased out on sunset basis in a period of three to five years subject to review of financial results and the response of farmers at the end of the first year of the implementation of the Scheme. The definition of Small and Marginal farmer would be as follows:

Small Farmer: A Cultivator with a land holding of 2 hectares (5 acres) or less, as defined in the land ceiling legislation of the concerned State/ UT.

Marginal Farmer: A Cultivator with a land holding of one hectare (2.5 acres) or less.

Level of Indemnity and Threshold Yield:

Three levels of Indemnity, viz., 90 per cent, 80 per cent and 60 percent corresponding to Low Risk, Medium Risk and High Risk areas shall be available for all crops (cereals, millets, pulses and oilseeds and annual commercial / annual horticultural crops) based on Coefficient of Variation (C.V) in yield of past 10 years' data. However, the insured farmers of unit area may opt for higher level of indemnity on payment of additional premium based on actuarial rates.

The Threshold Yield (TY) or Guaranteed Yield for a crop in an Insurance Unit shall be the moving average based on past three years average yield in case of Rice and Wheat and five years average yield in case of other crops, multiplied by the level of indemnity

Nature of Coverage and Indemnity:

If the Actual Yield (AY) per hectare of the insured crop for the defined area [on the basis of requisite number of Crop Cutting Experiments (CCEs)] in the insured season falls short of the specified Threshold Yield (TY), all the insured farmers growing that crop in the defined area are deemed to have suffered shortfall in their yield. The Scheme seeks to provide coverage against such contingency. 'Indemnity' shall be calculated as per the following formula:

Shortfall in Yield

---------------------- x Sum Insured for the Farmer

Threshold Yield

{Shortfall in Yield = Threshold Yield – Actual Yield for the Defined Area}

Indemnity in Case of Localized Risks

Loss assessment and modified indemnity procedures in case of occurrence of localized perils, such as hailstorm, landslide, cyclone and flood where settlement of claims will be on individual basis, shall be formulated by implementing agency (IA) in coordination with State / UT government. The loss assessment of localized risks on individual basis will be experimented in limited areas, initially and shall be extended in the light of operational experience gained. The District Revenue Administration will assist IA in assessing the extent of loss.

Procedure for Approval and Settlement of Claims

Once the yield data is received from the State/UT government as per the prescribed cut-off dates, claims will be worked out and settled by IA. The claim cheques along with claim particulars will be released to the individual Nodal Banks. The Banks at the grass root level, in turn, shall credit the accounts of the individual farmers and display the particulars of beneficiaries on their notice board. In the context of localized phenomenon, viz., hailstorm, landslide, cyclone and flood, the IA shall evolve a procedure to estimate such losses at individual farmer level in consultation with DAC/ State / UT. Settlement of such claims will be on individual basis between IA and insured.

PRADHAN MANTRI FASAL BIMA YOJANA

The new crop insurance scheme is in line with One Nation – One Scheme theme. It incorporates the best features of all previous schemes and at the same time, all previous shortcomings/ weakness have been removed. The PMBY will replace the existing two schemes National Agricultural Insurance Scheme as well as the Modified NAIS.

Objectives

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests &disease.
- To stabilize the income of farmers to ensure their continuance infarming.
- To encourage farmers to adopt innovative and modern agricultural practices.
- To ensure flow of credit to the agriculture sector.

Crop Coverage

All Food Crops (Cereals, Millets, and Pulses), Oil seeds, Annual Commercial/Horticulture Crops.

Farmer Coverage

- Loanee: All farmers availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions (i.e. loanee farmers) for the notified crop(s) would be covered compulsorily.

- Non-Loanee : All farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage, however scheme is voluntary for Non-loanee farmers

Risk Coverage

Following stages of the crop and risks leading to crop loss are covered under the scheme.

- Prevented Sowing/ Planting Risk: Insured area is prevented from sowing/ planting due to deficit rainfall or adverse seasonal conditions
- Standing Crop (Sowing to Harvesting): Comprehensive risk insurance is provided to cover yield losses due to non- preventable risks, viz. Drought, Dry spells, Flood, Inundation, Pests and Diseases, Landslides, Natural Fire and Lightening, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane and Tornado.
- Post-Harvest Losses: coverage is available only up to a maximum period of two weeks from harvesting for those crops which are allowed to dry in cut and spread condition in the field after harvesting against specific perils of cyclone and cyclonic rains and unseasonal rains.
- Localized Calamities: Loss/ damage resulting from occurrence of identified localized risks of hailstorm, landslide, and Inundation affecting isolated farms in the notified area.

Farmer Premium Rates

Farmers, Banks, State Government & Central Government, Insurance Companies etc.

R.No.	Season	Crops	Maximum Insurance Charges Payable by Farmers (% of Sum Insured)
1	Kharif	All food grain and Oil seeds crops (all Cereals, Millets, Pulses andOil seeds crops)	2.0% of SI or Actuarial rate, whichever is less
2	Rabi	All food grain and Oil seeds crops (all Cereals, Millets, Pulses andOil seeds crops)	1.5% of SI or Actuarial rate, whichever is less
3	Kharif & Rabi	Annual Commercial/ Annual Horticultural crops	5% of SI or Actuarial rate, whichever is less

SUGGESTIONS

The following suggestions were offer for effective implementation of Green Insurance

- A programme of creating awareness and insurance literacy among farmers should be prepared by insurance companies, banks, State and Central Governments.
- Only two companies in the private sector have initiated crop insurance, albeit on a small scale. ICICI-Lombard was the first company to experiment with rainfall insurance in 2003. The concept has further been extended to weather insurance since 2004. IFFCO-Tokio General

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Insurance, the second company in private sector, has started piloting rainfall insurance, since 2004. So, there is need to promote private sector participation in Green Insurance.

CONCLUSION

The Performance of Green Insurance Scheme is steady in India and progressing. Efforts are being made to find out a commercially viable scheme, which is also beneficial to the farmers. Consideration is required to be given to shift from individual crops to group of crops for coverage using index methodology to get wider and stable results. Further, the latest techniques as yield assessment have to be used such as geographical information system using satellite. Use of latest technology such as GPRS – enabled and camera fitted Mobile phones may be used to implement Green Insurance Schemes more effectively.

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